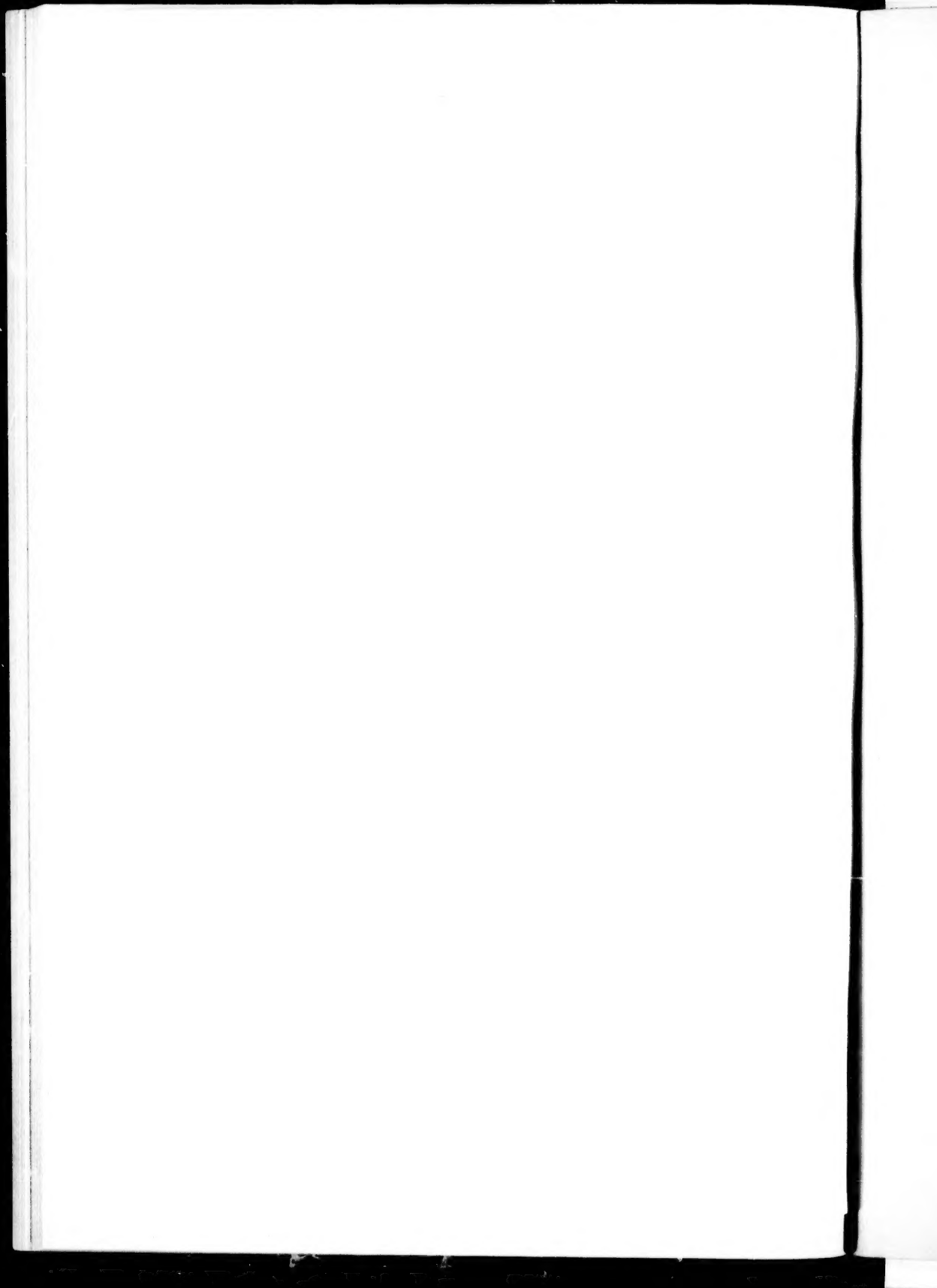




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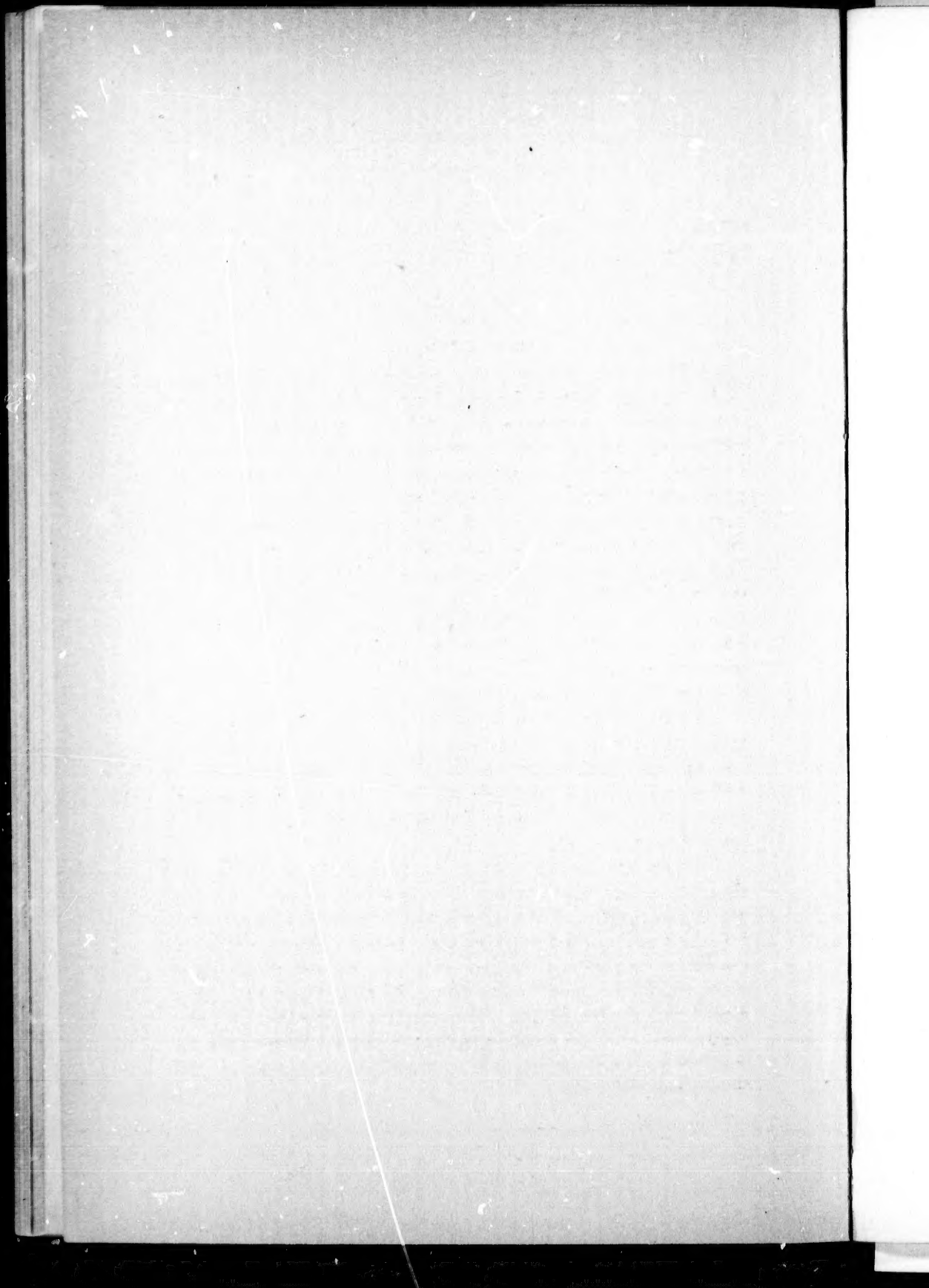
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THE
EARLY HISTORY OF CANADIAN BANKING

FROM 1791 TO 1812

BY
ADAM SHORTT, M.A.
QUEEN'S UNIVERSITY,
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III

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WITH the restoration of peace at the close of the Revolutionary War, the settlement of the Loyalists in Canada, and the revival of the north-west fur trade, agriculture and commerce resumed the quiet tenor of their way. The changes, however, which had taken place as the result of the struggle soon brought about an alteration in the country's economic and political centre of gravity. The new settlements in their formation made considerable demands upon the Government for supplies, and, in providing these, good local markets were afforded the earliest settlers. When the western districts began to produce a surplus it naturally found its outlet through Montreal, which was also the great distributing centre of imports from the west and north-west. Montreal thus became more than ever the emporium of Canadian trade.

In considering the economic future of Canada we must not forget that however devoted the Loyalists were to British connection, yet in their economic methods, their social habits and their municipal politics, they were thoroughly American, and brought with them to Canada the prevailing American ideas in these matters.

This is not the place for an analysis of the character and capacity of the Loyalists, but it is essential to note that they were far from being of one uniform type. Few more miscellaneous collections of people have ever been found. Their education, character and motives ranged from the highest to the lowest types which the colonies afforded. Most of them had a very high ideal of the British Government's obligations towards themselves, and their settlement in their new homes was not effected without a great deal of grumbling and friction with Government officials.

The initial troubles of settlement safely over, they soon joined with the English element already in the country in renewing the agitation for the repeal of the unfortunate Quebec Act. In this they were soon successful, at least as far as Upper Canada was concerned, for the Constitutional Act of 1791 permitted the Upper Province to re-establish the English law as it was known in the colonies from which the Loyalists came.

The large sums of money which the Revolutionary War had brought to Canada were not of course in the hands of the Loyalists, most of whom came to the country with very limited means or none at all. When the direct Government support of the first few years was withdrawn, and the people were left to provide for themselves, they had neither a great deal of ready money, nor the means of procuring it. There were several military establishments in the western settlements, and others at the Indian trading posts, all of which required considerable supplies, so that there was for a time quite a flourishing local market for the surplus provisions of the more thrifty settlers. It was estimated that the British Government spent, in the early nineties, about £200,000 on the military and Indian establishments in Canada. It also supported the greater part of the civil administration, and supplied a number of pensions.

The Honorable Richard Cartwright, one of the most intelligent, shrewd, and far-sighted of the early settlers, in a letter, in 1792, to Mr. Isaac Todd, his friend and business correspondent in Montreal, has this to say of the condition of the country at that time:—"To what is to be ascribed the present
"state of improvement and population of this country? Certainly not to its natural advantages, but to the liberality
"which Government has shown towards the Loyalists who
"first settled it; to the money spent by the numerous garrisons and public departments established amongst us; and
"the demand for our produce which so many unproductive
"consumers occasion on the spot. As long as the British
"Government shall think proper to hire people to come over to
"eat our flour, we shall do very well, and continue to make a
"figure, but when once we come to export our produce, the disadvantages of our remote inland situation will operate in
"their full force, and the very large portion of the price of our

“ produce that must be absorbed by the expense of transporting it to a place of exportation, and the enhanced value that the same cause must add to every article of European manufacture, will give an effectual check to the improvement of the country beyond a certain extent.”

Even at this time, though not to the same degree as afterwards, there was considerable difficulty felt from the want of a sufficient circulating medium, especially in the settlements to the west of Montreal.

In those days, and for a long time afterwards, the Canadians depended for their news from the outside world mainly upon the newspapers of the United States. They were thus incidentally well supplied with the news of the United States itself. The recently established Bank of the United States and its rapid success, was observed with close attention in that country, and was attracting very material interest in England. It was evidently the success of that institution which suggested to some associated London and Montreal merchants the feasibility of establishing a like institution, though on a private basis, in Canada. The late Mr. Stevenson, in his paper on “The Currency of Canada after the Capitulation,” published in the Transactions of the Literary and Historical Society of Quebec, has drawn attention to this movement, and quotes from a notice of it which appeared in the *Quebec Gazette* of 1792. As he has made a few errors in connection with the matter, which have been somewhat exaggerated by those who have followed him, I shall give the extract in full :

“ The undersigned having experienced great inconvenience in Canada from the deficiency of specie, or some other medium to represent the increasing circulation of the country, as well as from the variety of the money now current ; and knowing the frequent loss and general difficulty and trouble attending receipts and payments, have formed the resolution of establishing a bank at Montreal, under the name of the Canada Banking Company.

“ The establishment of banks has found favor in the most intelligent commercial countries, and from the experience of ages, there does not now exist a doubt of their utility and of the consequent increase of the trade and industries of the coun-

“ tries, wherever they have been promoted and wisely conducted. The operations of the present establishment will be confined solely to the business usually done by the most respectable banking houses in other countries, and the parties interested are restricted by agreement from using any part of the funds appropriated to this concern for any other purpose whatever, and are jointly and severally responsible for the faithful performance of their engagements.

“ The business proposed by the Canada Banking Company and usually done by similar establishments is,

“ to receive deposits of cash,

“ to issue notes in exchange for such deposits,

“ to discount bills and notes of hand, and

“ to facilitate business by keeping cash accounts with those who choose to employ the medium of the bank in their receipts and payments.

“ It is proposed also to extend the operations of the bank to every part of the two provinces where an agent may be judged necessary, and it is presumed that the institution will be particularly beneficial to the commerce of, and intercourse with, the upper province.

“ The concerned hope the public will judge with candor of the motives for this establishment, and of the credit and respectability of the parties; and they beg leave to add that they are determined to conduct every part of the business with the punctuality necessary to promote the credit and success of the undertaking, and with due regard to the convenience and safety of the public.

(Signed)

“ PHYN, ELLICE & INGLIS

“ TODD, MCGILL & Co.

“ FORSYTH, RICHARDSON & Co.

“ Dated in London, 17th March, 1792 ”

Mr. Stevenson gives the date of its appearance in the *Quebec Gazette* as 18th October, 1792, but it first appeared on August the 9th. The idea of the bank is commonly supposed to have been originated and worked up in Montreal, by Montreal merchants. But, as will appear from the document itself, wherever the idea originated it was formulated in London in March,

1792, and a London firm, Messrs. Phyn, Ellice & Inglis, took the lead in the matter. The other two firms are Montreal merchants, customers of the London firm, and enjoying a large share of the trade with the settlements in Upper Canada. We learn from a list of arrivals from London appearing in the *Quebec Gazette* some time after this, that Mr. John Forsyth had been in England; and there came over with him Mr. Geo. Phyn, jun., of London, and Mr. and Mrs. Ellice, of London. No doubt these gentlemen came over to assist in launching the bank in Canada. Possibly a member of the firm of Todd, McGill & Co. was also in London when the articles of agreement were drawn up, and the above announcement prepared. The bank was a purely private one, and no effort seems to have been made to secure a charter for it, as some have supposed. It was evidently intended to gradually cover the whole Canadian field by a system of branches, as in the case of the Bank of the United States.

Canada at that time was hardly ripe for such an institution. In the lower province there was no need for the issue of a paper currency sufficiently urgent to overcome the prejudices of the French-Canadians towards that kind of money. In the English settlements of the west, while there was a real need for a medium of exchange, yet it was almost entirely of a local nature, and those settlements were not sufficiently stable and advanced in their trade to permit of discounting bills or establishing any general currency from a Montreal basis. What the western country stood in need of was capital rather than currency. In Lower Canada, where there was considerable capital, enterprise was lacking. The French who had money to deposit would not trust it out of their own possession, while the English had no idle money to deposit, those who possessed wealth having it all employed in business, under a system which combined the deposit and exchange functions of our present banks with the ordinary business of trade.

Under these conditions the proposed bank was found to be somewhat in advance of the times. The notice which I have quoted, after appearing in the *Gazette* at intervals for several months, disappeared, and no further mention of the bank succeeded it. Mr. Stevenson says, though not mentioning the

source of his information, that the promoters succeeded in forming a private bank of deposit. Mr. Walker, in his account of Canadian Banking in Vol. III of "A History of Banking in all Nations," says: "As a matter of fact it did issue notes, specimens of which the writer has seen, but they doubtless had a very limited use."

Already the leading Montreal merchants having dealings with the western territory, practically conducted private banking operations along with their wholesale business. This phase became ever more extensive and highly developed between this period and the time of the war of 1812. The conditions of the colony were becoming more stable, and its surplus products stimulated a regular export trade, requiring the development of a mechanism of exchange much more complex than that which satisfied local needs.

Owing to the nature of the physical and geographical conditions of the first settlers in Upper Canada, the means of communication being very imperfect, the settlers had little or no choice as to the places in which they might purchase supplies or dispose of their products. Even though there had been an abundance of circulating medium, their trade would still have been essentially one of barter, an exchange of their surplus products with the nearest merchant for a limited range of goods.

Many functions were united in one person in those days. All kinds of goods were supplied by one merchant; all kinds of surplus products were purchased and exported by the same merchant. Where mills were erected the leading merchants commonly owned them. In many places in Upper Canada during this period, a typical trading centre consisted of a flour mill, still, saw-mill, general store, tavern and blacksmith shop. In more important places a woollen mill or at least a carding machine was added. Very often all these were owned by one man. Typical representatives of such establishments were the Napanee Mills in the east, and the Albion Mills near Ancaster in the west.

Even in the earliest stages of the settlements the importer was also the exporter, and barter the natural system of trade. Supplies were required by the settlers throughout the year, while their products came in for sale mainly in the autumn,

hence to equalize matters it was customary for the merchants, on the one hand, to give credit for supplies, to be paid for in products later on, or on the other hand, in the case of those who brought products in advance, to issue due-bills or *bons*, to be ultimately redeemed in goods, or partly in goods and partly in cash. These *bons* were usually made payable on demand, though not necessarily payable in cash. Together with ordinary promissory notes, which enjoyed a considerable local circulation, they supplemented the metallic money in the settlements, and, under the circumstances of the time, furnished a fairly effective medium of exchange. All things considered, we cannot but admit that in the early years of the upper province these local media of exchange were much more manageable, if not more secure, than any bank notes could have been.

The merchants, for their part, in obtaining their goods and disposing of their accumulated products, usually dealt with a few large importers at such places as Queenstown and Kingston. The merchants in these places also acted as bankers and bill brokers for the local merchants, receiving deposits, obtaining from their customers orders drawn upon various persons, and permitting their customers to draw orders upon them. These wholesale merchants sold as much as possible of the produce sent to them, to the Government agents for the supply of the military and Indian posts, exporting the remainder to Montreal, and importing from Montreal the supplies with which they furnished the local merchants. As the imports were greater than the exports, the balance was met by bills of exchange on London from the commissariat officers, vouchers for pensions, and other miscellaneous bills coming from all parts of the province. The large importers in Montreal acted also as bankers for the wholesale men in the upper province, receiving deposits, making payments to order, and not infrequently advancing loans or credits to be met later on by produce, exchange, or cash, though we find very little of the latter passing.

The data from which this outline sketch is drawn come from many sources, chief of which are the letter books of the Hon. Richard Cartwright. This gentleman was from 1785 to 1815 the leading wholesale merchant and forwarder of Upper Canada. He had constant relations with the chief Montreal

and Quebec merchants on the one hand, and a great number of local merchants in all parts of Upper Canada, on the other. As a forwarder he acted for the North-west Fur Company and the other wholesale merchants in Western Canada. His business letter books are thus a perfect mine of information on all matters relating to trade and exchange during this period. I have also had access to many other business letters from the Bay of Quinte and the Niagara districts, throwing further light on the subject from the point of view of the local merchants. Lastly, the official reports from the Governors of the period, to be found in the Dominion archives, give us information from still another point of view.

As bearing particularly on the subject we have in hand, Governor Simcoe's report to the Lords of Trade on the condition of Upper Canada in 1794, is most interesting. In this report, as in many other ways, Simcoe exhibits at once his disinterested anxiety to promote the prosperity of the province, and his very imperfect acquaintance with the economic and social forces which were acting within his jurisdiction.

In that part of his report which refers to the conditions of exchange, he says that it should be a special object of the Government to supply the people of Upper Canada with sufficient cash, or other proper medium, to remove the difficulties which occur in bartering the products of the land for the manufactured goods of Great Britain, in which the trade of the country wholly consists. The staple product of Upper Canada must be wheat, and it will be the basis of exchange, as is evident from the present commerce of the country. Much attention has been lately given to the question as to how the Government might purchase its necessary supplies directly from the people, in order to promote the general agriculture of the colony. He complains that the system which prevails of purchasing supplies in large quantities from the merchants who undertake the Government contracts, has limited the market for the people. What he means, as we gather from other parts of the report, is that the farmers do not get as much for their grain as the contractors do. His analysis of the difficulty may be given in his own words: "The grievances consist in the universal necessity of barter, having introduced among the merchants

“ the custom of their issuing their own notes ; and by the direct
“ and indirect means by which these gentlemen obtain the sup-
“ plying of the garrisons, they will receive no flour but in such
“ quantities as they chose from their own customers and debt-
“ ors, paying them for it in goods, to which they affix the price,
“ or in their own notes, payable only on the 10th of October.

“ Hence the flour merchant stipulated to the farmer the
“ price which he should receive for his flour, and that which he
“ should give for the goods which he was compelled to take in
“ barter.

“ The necessity of a paper currency, where there is not
“ sufficient gold or silver, is most obvious, but the American
“ colonies having misused such a medium of commerce, and
“ converted what might have been a general benefit into public
“ injury, by an Act of Parliament at present binding on the
“ province of Upper Canada, no emission of this kind can be
“ legally made.”

Here we have a simple and direct statement of the exchange mechanism of the time, mingling with an inconsequent and mistaken theory as to the grievances which resulted from its operation. That there were certain grievances is true, but they were mainly due to quite other causes than the exchange system. Even had the people obtained gold and silver for their products, they would still have had to sell them in the nearest market, and obtain from the same merchants their goods in exchange for their money. The merchants would thus have had practically the same advantage as under the system of barter. Under the conditions of the time whatever competition there was operated through the system of barter and *bons* quite as well as under a system of cash sales. The grievances arose mainly from the limited surplus products of the country, and the difficulties and cost of transportation. Under limited competition a monopoly of the export and import trade was also possible in the local centres, although this grievance was not so real as was commonly supposed. That it was not the exchange system, but these other difficulties which were really troubling Simcoe, is evident from the following extract from his report :—

“ It appears, therefore, that to preclude the advantages
“ derived from the purchase of flour for the King's forces or

“garrisons becoming a monopoly of the merchants, who also
“are millers, land-owners, mortgagees and retailers; to obtain
“a circulating medium in money or its value, and to reduce the
“transport on the St. Lawrence, may be reckoned as three distinct and important objects in which the welfare of every individual of the province of Upper Canada is particularly concerned, on which its general prosperity depends, and with which, viewed in its political relations with Great Britain, are connected the welfare and strength of the Empire beyond all powers of calculation.”

The upshot of the whole matter is that Simcoe has a scheme to propose which will, he is sure, not only remove all existing difficulties, but bring indefinite prosperity to Canada and through it to the whole empire. The suggestion for this scheme, he tells the Lords of Trade, was obtained while he was stationed in Virginia during the Revolutionary War, where he observed that notes, issued on the receipt of tobacco, were employed as a circulating medium in the colony. This was, indeed, practically the same system, in a more developed colony, as that of which he complains in Upper Canada. However, starting from this suggestion, he has worked out quite an elaborate state scheme, which may best be given in his own words:—

“It is proposed that the province of Upper Canada
“should be furnished with a certain sum of money for the purposes hereafter specified. That this sum should be replaced to Great Britain, if thought expedient, by the produce of the sale of part of the lands bordering Lake Erie; that the sum of money so to be raised should be vested in certain trustees. That these trustees should be members of the Executive, or Legislative Councils, and other of the principal inhabitants.

“That under the superintendence of the trustees, regulations and rules should be formed for the improvement of the manufacture of flour, the staple commodity of His Majesty's province of Upper Canada.

“That so soon as circumstances shall admit no other flour shall be purchased by the agent or commissaries but such as shall be manufactured agreeably to the above mentioned regulations and rules.

“ That in order to facilitate the exportation of flour a principal store-house shall be built at the rapids of the town of Montreal, and other receiving houses at the termination of the navigation of the several lakes and communications. That a principal flour inspector shall reside at Montreal with an adequate salary ; that inferior inspectors shall be appointed at the other posts ; that these inspectors be duly sworn, after proper examination, to admit or condemn any flour that may be offered to them. That the flour be transported across the lakes in the King's vessels, in preference to all merchandise, at a given price, the average of which must fall on the owner, in proportion to the distance of transport.

“ That for every flour barrel received at the store, a note be issued payable in gold or silver on demand at stated periods. That these notes be made a legal tender in all taxes. . . .

“ The result will be as formerly has been shown, of infinite importance to the colony, first in providing for the consumption of its staple, secondly in giving it a certain medium of exchange instead of the merchants' notes whose excess cannot be regulated, or regulate itself, whose modes of payment are not unconditional, diminishing at once the security of the public, and contributing to private extortion. And third, by the means of possessing back carriage, it will lessen the inconvenience of its remote situation from the ocean, and it is probable that the proposed company may find it their interest to augment their batteaux so as to lower the price of freight on the importations from Montreal to Kingston.”

He then proceeds to detail the unparalleled prosperity which will result alike for Canada, the West Indies, and Britain.

This remarkable anticipation of the recent Farmers' Alliance or Populist Sub-Treasury Scheme is quite evidently beyond serious criticism. Its whole character betrays the man of military training, but quite lacking the information and experience which are needed in civil administration. While the Lords of Trade might be imposed upon by other proposals relating to a country of which they had no direct knowledge, yet they were hardly the persons to be seduced by any “ wild-eyed finance,” and Simcoe's elaborate scheme was quietly

pigeon-holed. The more's the pity that the same fate had not befallen several of his other equally well meant schemes.

With the gradual settlement and progress of the colony the conditions of exchange which I have already sketched became more pronounced. The merchants more extensively performed all the essential functions of banking, except the regular issue of notes.

American paper money circulated to a certain extent in Canada during this period. That it did not become more general was evidently due to the fact that until 1810 there was no law in Canada to prevent the counterfeiting of foreign bank notes or other exchange documents. As a consequence of this Canada became the asylum and base of operations for the majority of American counterfeiters. This unwise policy was found, in the long run, to be more disastrous to Canada than to the United States, hence an Act was passed in Upper Canada in 1810 making the counterfeiting of foreign notes, etc., illegal. From that time American bank notes circulated more freely along the borders of Upper Canada at least. An attempt was made to pass a similar Act in Lower Canada the same year, but the bill did not get beyond its second reading.

In my last article I referred to the three-cornered system of exchange which had already grown up between Canada, England and the American colonies. When commercial relations were resumed after the peace, and especially when great freedom of trade was secured by the Treaty of Commerce of 1795, the Canadian trade with the United States developed rapidly. The United States being a neutral nation during the French Revolutionary War, and the subsequent Napoleonic wars, it was possible for Canada to obtain many of its English supplies, and especially its East Indian goods, cheaper through the United States than directly from Britain. On the other hand the export of much American produce by way of the Champlain, western lakes and St. Lawrence routes, and the local consumption of considerable American produce in Canada, made a very large import trade from the United States. The regular exports of Canada to England in furs, American and Canadian products, and the support of extensive military garrisons and Indian pensioners at the expense of England,

without a corresponding import of goods from England, led to a very considerable balance of exchange in favor of Canada. As between the United States and Canada the exchange was against Canada, and as between the United States and England, the exchange was against the United States. The payments for American produce coming into Canada being made in small amounts, were usually in cash, neither the local instruments of exchange nor the larger English bills being admissible in that trade. The general result was that, about the beginning of the century, Canada found its metallic currency rapidly draining off to the border States. As a consequence of this and of the superfluity of sterling bills, the sterling bills fell below par in Canada, sometimes going so low that £100 sterling were offered for £100 currency. At the same time sterling bills were at a premium in New York and Boston. This led eventually to the bringing in of large quantities of cash from these cities for the purchase of sterling bills in Canada; thus a general equilibrium was once more established. These operations are indicated in the Cartwright letters, and Mr. Hugh Gray, in his Letters from Canada in 1806-7-8, gives a very clear and full account of the process by which the balance was restored, allowance being made for the cost of transporting specie.

The intimate trade and exchange relations with the United States, the continued success of the Bank of the United States, and the growing need for a more perfect circulating medium than that miscellaneous local currency of *bons* and promissory notes, which the more developed parts of the country were now outgrowing, led to a general movement among the merchants of Lower Canada for the establishment of a provincial bank in that province.

In the *Quebec Gazette* of March 5th, 1807, appears the following advertisement: "Notice—The attendance of the inhabitants of Quebec is requested at the Union Hotel on Friday next, the 6th inst., at one o'clock p.m., to consult on the proper measures to be taken for the establishment of a bank in this province. Quebec, 4th March, 1807." As a result of this and a similar movement in Montreal, a petition was drawn up and presented to the Legislature of Lower Canada, praying for the establishment of a bank in the cities of Quebec and

Montreal. But owing to the fact that it was sent in just at the close of the session no notice was taken of it. The following year, on the 22nd of February, a petition was presented to the House of Assembly of Lower Canada, which is as follows:—"The commerce and agriculture of this province labor under many inconveniences and discouragements from the quantity of specie in circulation being greatly inadequate to its necessities and increasing population; from thence enterprise and industry languish, and the natural advantages arising from a fertile soil, large and navigable rivers, and most valuable and extensive fisheries, in the river, bays and Gulf of the Saint Lawrence, remain almost dormant and unimproved.

"The petitioners therefore beg leave to represent to the House that in the present situation of the province, nothing could have so great and immediate tendency to advance the commerce, agriculture, wealth and prosperity of the province, as the establishment of a bank. Time and experience have incontestably proved the utility and security of banks. They have been a safe and convenient substitute for gold and silver, and have increased the industry and wealth of every country in which they have been established.

"The petitioners therefore most humbly pray that they may be incorporated into a body politic, by the name of the Bank of Canada, to be established in the cities of Quebec and Montreal, with all the privileges and immunities usually granted to such corporations; and subject to such limitations and restrictions as the House in its wisdom may think best."

The petition of the previous year was also presented once more. Both petitions were referred to a committee of the House to examine and report upon them. On the 4th of March the committee reported as follows:

"To prove the allegations of the petitions, a member informed the committee that the balance of trade between this province and the United States by inland navigation, being greatly against us, a constant drain of specie from this country was thereby occasioned, which can be replaced only by importations thereof from Great Britain, or by sending down sterling bills to the States, and bringing back their proceeds in gold and silver coin. That the former has not yet been

“resorted to, excepting by Government, and is not likely to be attempted by individuals, and the latter (bringing money from the States) is attended with considerable loss, expense, and great risk.

“That specie is very sensibly decreasing in this province, and some safe substitute would be greatly desirable and tend to facilitate the trade of the province, particularly the export trade, which is often cramped by the heavy loss on bills of exchange, consequent upon the disproportion between the amount of them for sale, and the circulating coin. He therefore was of opinion that the institution of a bank would have a tendency to remove, at least in part, the inconvenience at present felt from the scarcity of the circulating medium, and be otherwise beneficial to the province. That such institutions had been useful in other countries, and though there might be difficulties here to encounter, in a matter so new to the bulk of the inhabitants, yet that he thought it would finally surmount these difficulties, and at all events merited a fair trial.”

Here we find further corroboration of the facts of exchange already described. But while the need for currency was undoubted, the arguments used in favor of the bank are not altogether sound. Obviously the issue of a redeemable paper money by a bank would not check the export of cash from the country if its trade continued to require it. The notes would simply be exchanged at the bank for cash, and the cash exported. Neither would the issue of bank notes improve the sale of bills of exchange in Canada, since they would not alter the advantages from purchasing goods from the United States rather than directly from Britain. The bank notes could only improve the internal exchange mechanism of the country, they could not alter the character of the foreign exchanges.

The report was received and a bill brought in, which got as far as being ordered to be printed before going to the Committee of the whole House on its second reading. This is the bill from which I gave extracts in my first article, to show that it was copied from the charter of the Bank of the United States.

The growing need for a regular currency was felt by the more advanced settlements in Upper Canada, quite as much as

by the English element and more enterprising French merchants of Lower Canada. Hence, notwithstanding the failure of the attempt in Lower Canada, the question of a provincial bank began to be agitated in the upper province. In 1810 the proposal to establish a bank in Upper Canada took definite shape at Kingston, the most important commercial centre of the province. The subject had been canvassed in a private way for some time, when the establishment of the first newspaper in Kingston, in September, 1810, gave an opportunity for public discussion of the matter. The first communication on the subject appears in the issue of 4th December, 1810, and indicates the chief points, for and against the proposed bank, which had emerged in the discussion. On the 1st of December there had been a public meeting "to take into consideration the expediency of establishing a bank in the town of Kingston, and of applying to the Legislature for an Act of incorporation." This meeting was in favor of the project. The writer of the first article in the *Kingston Gazette* was in favor of the bank. He admits that the bank would have to encounter some difficulties. Some of the objections raised against the proposal were: That it would lead to a counterfeiting of the notes ("bills" as they were called in those days); it would be impossible to give the notes sufficient credit to ensure their circulation; the Montreal merchants would be opposed to the bank and would refuse to receive the notes; a bank had already been attempted in Montreal and was found impracticable. In answer to these objections the writer points to the benefits which have resulted from the establishment of banks in Europe, and especially in the United States. He goes into the United States bank question at some length, pointing out in particular that the first banks in the United States were very successful, but their success developed competition, resulting in a war of the banks with one another, and the consequent destruction of some. If, however, a regular chartered bank could be obtained in this province, being the only one in the two provinces, it would have none of these evils to contend with. The recent Act against counterfeiting, which has broken up the nest of counterfeiters of American notes in Canada, will protect the bank from that danger.

In the following number of the *Gazette* appeared two letters on the subject, the one in opposition to the bank and the other in support of it. The writer of the first is evidently not very well versed in banking, but his attitude is interesting. He thinks a bank would be disastrous to the district. First of all where is the capital to come from? The town, he says, would be puzzled to raise £1,000 in specie. But even could they obtain £20,000 to £30,000, how could the capital be profitably employed? The discount business would be very small, and even if people did come to the bank for loans, what sort of business could they invest in that would leave them any profit, after paying the bank fifteen to eighteen per cent. interest? These figures he gets by calculating the sixty and thirty day rates of discount for a whole year. His real difficulty, however, is reached when he sees in it the possibility of freeing the farmers and others from the necessity of bringing in their products to barter them at the stores of the Kingston merchants. He believes that if the people are possessed of money it will simply increase the number of peddlers, or itinerant merchants, in this province, "and God knows they already sufficiently abound." As these peddlers come chiefly from New York or Albany, they will simply gather in the paper money, convert it into specie at the bank, and take it to the United States to get new supplies of goods, and repeat the operation.

The second letter, which is in favor of the bank, claims that sufficient capital has already been promised to ensure its stability. After giving some interesting information as to the nature and working of banks, he refers to the meeting to be held that evening, "to prepare and sign a petition to the Legislature " for an Act of incorporation, to draw up articles of co-partnership, which in case the charter should be refused will prevent " the defeat of the scheme; to agree on the form of a circular " letter inviting the inhabitants of the province to support the " institution, and finally to take such other steps as may be " necessary to carry it into effect with the least possible delay."

The meeting referred to is thus advertised: "Bank of " Upper Canada. The subscribers to the stock of the above " bank, together with such other of the inhabitants as are in " favor of its establishment, are requested to attend a meeting,

" on business of importance, at Walker's Hotel, this evening, at
" seven o'clock, December 11th."

Letters and discussions about the bank continued to appear almost every week until February, 1811. From these we learn that even the opponents of the bank admit that those who are promoting it are sound business men. We learn also that the shares of the proposed bank were to be fifty dollars each, that there was great scarcity of specie in the province, and that the notes of neighboring banks in New York State were circulating in Canada.

The petition of the Kingston merchants was no doubt presented to the Legislature of Upper Canada, but while that body was in session the United States Congress destroyed the Bank of the United States, and the rapid development of friction between the United States and England introduced an element of uncertainty into all Canadian trade and exchange, putting an end, for the present, to such a new venture as that of banking. The beginning of the war of 1812-15 brought to a close another epoch in the history of Canadian trade, introducing a new set of conditions, and during its progress deeply affecting, by the employment of the Army bills, the future character of Canadian exchange.

ADAM SHORTT

QUEEN'S UNIVERSITY, Kingston

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